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Part V

Use of Public Credit by the State of Oregon

Chapter I

INDEBTEDNESS DUE TO THE NEEDS OF PUBLIC DEFENSE

Once only has Oregon dealt with the bond broker, and then the amount of bonds sold was but sixty thousand dollars.¹ Several issues of state bonds have been authorized; but they have been made over directly either to the individuals whose claims upon the state's bounty or relief were recognized, or to an agency undertaking a work of public improvement.

The narrow limits within which the state has held itself in its use of its public credit have been justified on the ground that there has been no pressing exigency in its history warranting the shifting of any considerable burden upon a succeeding generation; neither has any public work or public building been constructed of such monumental character as to make it seemly to share the cost with the generation that followed.

Bond Issues to Volunteers During the Civil War Period— Bounty Bonds.

Oregon was admitted as a state on the eve of the opening of the Civil War, but the mountainous mass of indebtedness that the meeting of this crisis brought upon other northern states Oregon to a large degree escaped. Its remote and lonely location in the Pacific Northwest for once was an advantage; participation in the fierce struggle between the states was denied it through the fact that a two-thousand-mile stretch of wilderness, unspanned by any iron way, lay between it and the scene of conflict. Furthermore, in the composition of its people it was essentially a border state. Neighborhoods were made up almost equally of sympathizers with the opposing sides. Sectional feelings were tense. The only safety lay in mutual restraint.²

¹Laws of Oregon, 1880, pp. 13-16.

²The anomalous state of the public mind in Oregon at this time is evinced in the history of the first attempt to raise federal troops in 1861. As the regulars had been called East so that only seven hundred remained to garrison the eight forts and temporary posts in Oregon and Washington, Colonel George Wright, commanding the district of Oregon and Washington, made a requisition upon Governor Whiteaker in the summer of 1861 for a cavalry company to be enlisted for three years, unless sooner discharged. Hostile demonstrations of the Indians east of the Cascades was the special reason given for the call. The Governor had been openly and consistently opposed to "political views" of the party in power, but disavowed any intention of "trammeling the action" of the Government. When the Governor essayed through a recruiting officer, cherishing like sentiments with himself, to raise the troops there was little alacrity of response. The cause of reluctance to enlist might have been economic rather than political. Nevertheless, the national authorities after a few weeks ignored the Governor. The few men that had been enrolled were ordered disbanded and the War Department authorized Colonel Cornelius to raise a regiment for the Oregon District.—*Governor's Message and Executive Correspondence, Appendix to House Journal*, pp. 4-25.

There was, however, need for an effective marching and fighting force in the Pacific Northwest to discourage the Indians from indulging their marauding propensities. The isolated settlers east of the Cascades, the miners pushing their prospecting activities far in all directions towards the Rockies, the scattered groups of immigrants trailing in on the last stretches of an exhausting season's march across the plains—all these were suffering as victims of savage cruelties. Reports of massacres were frequent. The work of patrolling the vast area of country between the Cascades and the Rockies was a responsibility that belonged to the national government.

To insure effective protection against the treachery of the Indians of this region a force was needed quite as large as the quota due from the fifty thousand people who comprised the population of Oregon. The First Oregon Cavalry that had been recruited by Colonel Cornelius in the fall and winter of 1861 were putting in their three years' term of enlistment in this Indian watching-and-fighting service. It had meant privations and hardships with none of the compensations incident to participation in real fighting at the front in the South. By the summer of 1863 their ranks had become thinned and additional companies were called for. The efforts of Governor Gibbs, a most loyal Union sympathizer, to secure recruits were even less successful than had been those of Governor Whiteaker a few years before. Six additional companies were needed and some forty men in all were secured. Neither the prospective service in the Indian country nor the pay was a sufficient inducement.¹

In the fall of 1864, when the terms of enlistment of the men of the First Oregon Cavalry were about to expire, there was still no prospect of securing their re-enlistment, or new recruits to take their places; yet troops for this Northwest service must

¹"I am sorry to say that the recruiting for the six new companies of the Oregon Cavalry goes on slowly. The out-place and out-of-business population who were expected to fill up the ranks, have their eyes on the mines, more than the stripes and stars. True, we are an adventurous people, but equally commercial, and between the bayonet and the pick, we prefer to take the chances with the latter. The company recruiting at this point now numbers about 25, but I believe the recruiting officers at other places have so far made a waterhaul. There are a good many who offer to enlist as captains, and some few as lieutenants, but below that their aspirations do not descend. The progress in this respect may be well illustrated by the following anecdote: Not long since a little son of Gov. Gibbs was met on the street by an acquaintance of his father's, and was asked what the Governor was doing. The lad promptly replied that he was trying to raise volunteers. 'With what success?' says the patronizing friend. 'Oh,' says Willie, with a face full of juvenile irony, 'he is doing very well; he has one captain, and thinks he knows where he can find another.'"—*San Francisco Bulletin*, Letter from Portland, February 25, 1863.

be had. On October 20, 1864, Governor Gibbs was called upon by Major General Irwin McDowell,—commanding the Department of the Pacific, and acting under the authority of the War Department,—for a regiment of infantry, to be mustered into the service for three years, unless sooner discharged. This meant a draft with the alternative of raising the quota by enlistment.

A state bounty as an inducement to secure enlistments had been suggested to Governor Gibbs by Brigadier General Alvord, commanding the District of Oregon. The legislature was in session, though just about to adjourn. The Governor immediately on receiving the telegram from General McDowell sent in a special message announcing this call for a new regiment of infantry and suggested the passage of an act for the payment of a bounty for enlistment. There was no hesitation on the part of the legislature. A bounty of \$150 to each volunteer enlisting for a term of three years was provided. This sum was to be paid in three installments of \$50 each; the first at the time of enlistment; the second at the end of the first year of service; and the third at the expiration of service. The payment of each installment was in the form of a state bond issued to the claimant, due in twenty years and bearing interest at seven per cent, payable semi-annually. The principal and interest were to be paid in coin. A state tax of one mill was to be levied annually for securing funds to pay interest and principal. Whenever a surplus of \$10,000 was thus accumulated from this tax it was to be used in redeeming bonds offered at rates not exceeding par value.¹

¹The following are the quotations from the letter of General Alvord used by the Governor in his special message of Oct. 20, 1864, asking for the passage of a bounty law:

"For the defense of the frontier against Indians, it is necessary that the present military force in the district of Oregon should be maintained. I have been compelled to reduce Forts Colville and Lapwai to one company each, which is too small a force. The 1st Oregon Cavalry has performed the past summer efficient and admirable service in that part of Oregon south of the Columbia river and east of the Cascade Mountains. Traversed in every direction by thousands of miners the last summer, the presence and activity of the troops has been of the utmost importance, in protecting that region against the Snake Indians. . . . I feel that it is very important for the public service, as I have continually represented to you for a long time, that the legislature of Oregon should pass a law giving bounty to volunteers. Every state has passed such laws."

Judge M. P. Deady, the Oregon correspondent to the San Francisco Bulletin, in his letter of October 22, made the following comment on this matter:

"A few days since the Governor of this state received a telegram from Gen. McDowell calling for 1,000 men to take the place of the Oregon Cavalry, now about being mustered out of service. In other words, the draft was ordered in Oregon with the alternative of raising the quota by enlistment. The Governor at once sent a special message to the Assembly recommending the passage of a law for paying bounties for enlistment. The military committees went to work, and by midnight of the next day an act was passed appropriating \$200,000 and offering a bounty of \$150 to the man."

See text of this act, "Acts and Resolutions, 1866, Appendix, "Unpublished Laws of 1864," pp. 98-104.

A statistical abstract of the administration of this bounty bond issue is given herewith:

SOLDERS' BOUNTY BONDS

Authorized October 24, 1864

Date of Treasurers' Report	Total Amount of Bonds Issued to Date	Amount of Bonds Outstanding at the Beginning of Period	Debt Reduction During Period	Outlay in Payments of Principal	Interest Payments	Payment for Advertising Call	Total Payments on Debt During Period
18661	131,100	.....	.....	.....	4,606.752	.....	4,606.75
1868	137,650	137,650	49,6003	43,635.00 4	17,134.20	.....	60,769.20
1870	137,700	88,100	39,700	38,712.52 5	9,740.50	80.00	48,533.02
1872	137,700	48,400	1,600	1,593.50 6	7,463.75	199.50	9,256.75
1874	137,700	46,800	18,300	18,300.00 7	6,644.75	202.10	25,146.85
1876	137,700	26,5008	.....	.....	3,824.259	.....	3,824.25
1878	137,700	26,500	100	100 00	3,578.7510	.....	3,678.75
1880	137,700	26,400	700	700 00	4,110.7511	.....	4,810.75
1882	137,700	25,85012	.....	.....	3,542.75	.....	3,542.75
1884	137,700	25,850	18,200	18,200.0013	4,940.50	.....	22,140.50
1886	137,700	7,950	7,850	7,850.0014	1,386.00	.....	9,236.00

SOLDIERS' BOUNTY BONDS NOTES.

(1) The amount of Bounty Bonds authorized to be issued was \$200,000. "Up to August 15, 1866, \$131,000 of such bonds have been prepared and placed in the hands of the State Treasurer for payment to the soldier or his authorized agent. To meet the entire obligation will require an issue of \$4,000 more."—Report of Secretary of State, 1866, pp. 4-5.

(2) Estimated amount of coupons outstanding and due, \$4,591.00.—State Treasurer's Report, 1866, p. 35.

(3) Treasurer's Report, 1868, p. 35.

(4) Secretary of State's Report, 1868, p. 16. The Secretary states that the "bonds redeemed" amounted to \$43,635.00. He confused the sum paid out in buying up bonds at varying rates of discount with the amount of the par value of the bonds redeemed.

(5) Treasurer's Report, 1870, pp. 24, 28, and 33-35. The list of the sixty bonds issued, but not delivered, is given on page 35. Twenty-six of the sixty are designated as "deserters."

(6) Treasurer's Report, 1872, pp. 130-1, 138. Thirteen additional bonds had been delivered since the preceding reports. Cash on hand applicable to interest and redemption, \$69,095.48.

(7) Treasurer's Report, 1874, pp. 102-108. Seven additional bonds had been delivered. Cash on hand in fund available for interest payments and redemption of bonds was \$21,613.97.

(8 and 9) Treasurer's Report, 1876, pp. 116, 121. The forty bonds filled out, but not delivered, are not in this report, nor in the subsequent reports, included as "state indebtedness."

(10) Treasurer's Report, 1878, pp. 149-150, 174.

(11) Treasurer's Report, 1880, pp. viii, 82. The itemized statement of disbursements from the "Soldiers' Bounty Fund" includes items of bond redemption amounting to 14 bonds. The list of "Liabilities" of the state gives the sum of bounty bonds outstanding as \$25,850. There is thus a discrepancy of \$150. The delivery of three additional bonds would be a natural surmise, but the list of undelivered bonds later given does not admit of this surmise.

(12) State Treasurer's Report, 1882, p. 85.

(13) State Treasurer's Report, 1885, pp. 10 and 103. The itemized statement of disbursements from the "Soldiers' Bounty Fund" includes items of bond redemption amounting to 364 bonds. The "List of Liabilities of the State of Oregon" gives the sum of bounty bonds outstanding as \$7,950. This again could be harmonized with the statements of the two preceding reports only on the basis of the delivery of six additional bonds. The State Treasurer, however, forestalls

such an explanation by saying that "a careful and complete revision of the condition of the Soldiers' Bounty Fund, that is, a comparison of bonds redeemed by former Treasurers and myself, with bonds issued, shows that there are still outstanding 159 bonds of this issue. * * * The apparent discrepancy between this and my report for 1882 arises from the fact that the report for that year, together with the report of 1880, was made upon the basis of the reports of former Treasurers, in each case the amount of bonds redeemed by myself being deducted from the amount of bonds reported as outstanding at the time the several reports were made." This statement still leaves the report of 1880 in a bad light and proves nothing as to the source of the discrepancy.

(14) The Treasurer's Report, 1887, p. 129, shows that 157 bonds were redeemed, but the debt statement, p. 10, shows only one bond outstanding at the close of this period—one bond having been lost sight of. On page 161 of the report occurs the list of 40 persons for whom bounty bonds were issued but which had not been called for.

1890. The Treasurers' reports from 1887 to 1899 retain unchanged the item of "Soldiers' Bounty Bonds, \$50." From 1893 on there stands in connection with it the announcement that "forty soldier bounty bonds of \$50.00 each (exclusive of interest) still remain uncalled for, the same being issued under date of January 1, 1866." However, without explanation in 1899 the announcement reads: "Thirty-eight soldier bounty bonds of \$50 each," etc.

In 1899 a bounty bond (Face \$50.00, Interest \$68.25) was paid, p. 17 of report of 1901. The same report gets the interest due on the 38 bonds wrong, giving it as \$2,612.50. The following report states it correctly as \$2,593.50, making total liability on these 38 bonds to be \$4,493.50. And so the matter still stands.

Relief Bonds.

It was eminently fitting that as a companion act to that granting bounties for future enlistments for the Indian fighting service should be one making similar substantial provision for the men of the First Oregon Cavalry whose terms of service were just expiring. An act known as "the Relief Act" was passed on the same day with the Bounty Act. It provided for the payment by the state of five dollars per month to each commissioned officer and enlisted soldier "of the companies of Oregon Volunteers raised in this state for the service of the United States to aid in repelling invasions, suppressing insurrection, enforcing the laws and protecting public property, in addition to the pay allowed them by the United States." This "relief" was due after the term of enlistment had been served, or an honorable discharge granted. The payment took the form of a state bond due in ten years, bearing seven per cent interest, payable semi-annually; interest and principal payable in coin. A tax of one-half mill was to be levied annually to meet payments of principal and interest. A provision, similar to that with the bounty fund, regarding the use of any accumulated surplus of ten thousand dollars or more, directed the application of such surplus towards the redemption of bonds so as "to redeem the greatest number of bonds, until the amount of cash on hand for redemption is exhausted."

¹Acts and Resolutions, 1866, Appendix, "Unpublished Laws of 1864, pp. 104-108.

A statistical abstract of the administration of this issue of "relief bonds" follows:

SOLDIERS' RELIEF BONDS

Authorized October 24, 1864

Date of Treasurers' Report	Total Bonds Issued to date	Amount of Bonds Outstanding at the Beginning of Period	Debt Reduction During Period	Outlay in Payments of Principal	Interest Payments	Payments for Advertising Call	Total Payments
1866	81,474.00	.....	.....	.....	5,633.63	.....	5,633.63
1868	92,395.00	81,474.00	11,395.00	10,255.50	12,815.49	.....	23,070.99
1870	93,637.00	82,242.00	21,059.00	19,936.21	9,353.31	72.00	29,361.52
1872	93,637.00	61,183.00	15,156.00	14,935.28	8,669.25	89.00	23,693.53
1874	93,637.00	46,027.00	25,280.00	25,280.00	6,675.67	193.10	32,148.77
1876	93,637.00	20,747.00	19,986.00	29,986.00	1,597.85	.....	21,583.85
1878	93,637.00	761.00	.....	.....	.....	.....	.....
1886	93,637.00	761.00	141.53	141.53	.....	.....	141.53

SOLDIERS' RELIEF BONDS NOTES.

1866. Secretary of State's Report, pp. 4-5. "The amount of bonds issued under the second, denominated 'Relief,' to Sept. 1st, 1866, is \$81,484.00, and I am informed by the Adjutant General that two thousand dollars in addition will be required, exclusive of the amount due to the officers and soldiers who were in the service more than thirty-six months and hence entitled to pay."

1868. Treasurer's Report, 1868, p. 40. Amount of bonds redeemed is given as \$11,395.00. The Secretary of State's Report, 1868, p. 16, gives the amount issued as \$92,395.00. In computing the amount outstanding the Secretary subtracts \$10,255.50, the sum paid in redeeming these bonds during this biennium, from \$92,395.00. The outlay for redemptions is confused with face value of bonds redeemed. The bonds were redeemed at varying rates of discount.

1870. Treasurer's Report, 1870, p. 26.

1872. Treasurer's Report, 1872, pp. 132-8. "Cash on hand, applicable to interest and redemption, \$14,370.96."

1874. Treasurer's Report, 1874, pp. 100-108.

1876. Treasurer's Report, 1876, p. 121. An error of 10c, making Outstanding Soldiers' Relief Bonds \$761.10, instead of \$761.00, is brought forward from this time on.

1886. Treasurer's Report, 1886, p. 129. A payment of \$141.53 to W. H. Judson, "1 bond, 20 coupons," was made from Soldiers' Relief Fund, but the debt statement, p. 10, shows no reduction. Evidently this bond held by W. H. Judson had been lost sight of in the Soldiers' Relief Bonds account.

1901. The Treasurers' reports from 1876 on to 1901 give in their debt statement the item \$761.10 as the amount due on the Soldiers' Relief Bonds. In the report for 1901, p. 105, and later ones the names of four holders of bonds outstanding are given and the whole amount due as \$551.00. There is no explanation of disappearance of \$210 of account.

The essential character of the state's indebtedness represented by the "bounty" and the "relief" bonds can probably be best brought out through a reference to the congressional policy of reimbursing states for all outlays incurred in securing the "common defense." It has become the rule of Congress to reimburse the states for all such military expenses. These payments originated with compensations for special expend-

itures of the states connected with their raising their respective quotas for the Union armies during the progress of the Civil War. But notably in the cases of Texas, Minnesota and Nevada the reimbursements were for expenditures upon troops mustered into service for the suppression of Indian outbreaks. The procedure in making a settlement with a state has been in several instances, first, to request the secretary of war to determine the actual outlay of the state; compensation then followed through an appropriation by Congress of the amount reported. So far Oregon has not received a cent on account of outlays for bounties and relief granted in 1864. Certainly, if any reimbursement is due for bounties and additional pay granted by a state to its citizens mustered into service for affording protection against Indian atrocities, Oregon's claim against the nation should be a valid one.

Modoc War Bonds.

In the fall of 1872 the fierce and wary tribe of Modoc Indians began to commit depredations and even to take the lives of the settlers of Klamath country. The Governor took steps to suppress the outbreak and to protect the inhabitants. No provision was made for the payment of the soldiers enlisted and the other claims arising out of this war until the meeting of the legislature in the autumn of 1874. An issue of bonds was then ordered to the individual claimants as in the sixties. These bonds were "payable at the option of the state, on or before the first of January, 1880, with interest thereon, at the rate of seven per cent, payable semi-annually"¹

¹General Laws, 1874, pp. 35-36.

A statistical abstract of this "Modoc War Bonds" issue is given herewith:

MODOC WAR BONDS

Authorized October 22, 1874

Date of Report	Debt at Opening of Period	Debt Reduction During Period	Interest Payments During Period	Total Payments			
1876	.....	.....	10,632.901	10,632.90			
1878	130,991.301	.....	21,794.402	21,794.40			
1880	132,858.762	.....	15,670.863	15,670.86			
1882	132,921.003	132,288.10	14,127.78	146,415.884			
1884	632.904	294.72	142.38	437.105			
1886	338.185	134.77	.....	134.77			
1888	203.416	.....	.....	.....			

(1) Treasurer's Report, 1876, pp. 89-90, 121.

(2) Treasurer's Report, 1878, pp. 127-8, 174.

(3) Treasurer's Report, 1880, pp. 72, viii.

(4) Treasurer's Report, 1882, pp. 72, 8.

(5) Treasurer's Report, 1885, pp. 99, 10.

(6) Treasurer's Report, 1887, pp. 10, 161. From this on a Modoc War Bond is listed among "Unclaimed Bonds." It is in favor of Charles Sherlock. Warrant is filed with bond. Face of bond, \$75.90; interest coupons, \$27.52; interest on bond, \$10.05.

"Modoc War Bonds Outstanding" remained \$203.41 until 1895, when item was raised to \$317.75 without explanation. On Sept. 26, 1895, Frank O'Hara was paid on a Modoc War Bond, principal \$13.85, interest \$10.69; total \$24.34. On August 5, 1897, John Ingram was paid on a Modoc War Bond \$118.25. These payments did not affect size of "outstanding bonds" item. However, in 1901 report, without any payments on bonds given, the amount outstanding was reduced to principal, \$103.84; interest, \$11.48.

Indian War Bonds.

Again in 1878, because of trouble with various tribes of Indians east of the Cascade Mountains during the years 1877 and 1878, sums were due volunteers that had been called into the service of the state and to others for supplies needed to carry on the campaigns. The legislature had recourse to the customary procedure for satisfying the claimants. An issue of bonds was authorized, "payable at the option of the state on or before the first day of January, 1890, with interest thereon at the rate of seven per cent per annum, payable semi-annually . . ."¹

¹General Laws, 1878, pp. 33-36.

A statistical abstract of this "Indian War Bonds" issue follows:

INDIAN WAR BONDS

Authorized October 7, 1878

Date of Report	Debt at Opening of the Period	Debt Reduction During the Period	Interest Payments During the Period	Total Payments	
1880	.....	.....	5,137.83	5,137.83	
1882	45,475.51	14,565.51 ¹	7,083.64	21,649.16	
1885	30,910.00	30,206.11 ²	6,442.83	36,648.94	
1887	704.89	8,670.23 ³	.....	.....	
1889	650.89 ⁴	4,212.28	.....	.....	

(1) In the statement of disbursements from "Indian War Debt Fund," pp. 74-5, the total is \$21,649.16. By adding items of principal payments and of interest payments of this account separately they are found to total, respectively, \$15,391.99 and \$6,257.17. The figures in the table are obtained through subtracting amount of debt at close of period from amount at opening and counting as interest payments the difference between the debt payment so secured and the total payments for the period.

(2) The payments of interest and of principal are not segregated. The figures of the table were secured by method indicated above in (1).

(3) Treasurer's Report, 1887, p. 118, gives as "Indian War Fund" disbursements the sum of \$8,670.23, though the total indebtedness on account of "Indian War Bonds" (principal) outstanding at opening of the period was only \$704.89. In like manner the Treasurer's Report of 1889, p. 141, gives the sum of \$4,212.28, though the total Indian War Bonds outstanding at the opening of the period was only \$650.89.

(4) Treasurers' Reports regularly list all outstanding bonds under the caption "Liabilities of the State of Oregon," but no item of "Indian War Bonds" appears in the reports for periods, 1889-1890 and 1891-1892. From 1893 to 1901 and item of \$700.94 is given. From then on it is \$393.43.

Oregon War Debt Bonds.

As no provision had been made to meet the payment of the Modoc War bonds when they became due, January 1st, 1880, the legislature at its meeting in the fall of that year provided for the securing of funds for the payment of the sums due on these bonds through an authorization of an issue of bonds of such an amount which, with the surplus accumulated from a special tax levy for current indebtedness, would suffice to liquidate the matured bonds. The bonds of this last issue were "to be sold, but for not less than their par value." They were "to bear interest at a rate not greater than seven per cent," payable semi-annually, and were "payable on the first day of January, 1890, or sooner, at the option of the state . . ." ¹

¹General Laws, 1880, pp. 13-16.

The statistical abstract of this "Oregon War Debt Bonds" issue follows:

OREGON WAR DEBT BONDS

Authorized October 25, 1880

Date of Report	Amount of Debt at Beginning of Period	Debt Reduction During Period	Interest Payment During Period	Total Payments	
1882	.....	.....	\$4,812.50	\$ 4,812.50	
1885	\$60,000.00	\$15,000.00	8,785.00	23,785.00	
1887	45,000.00	45,000.00	5,302.50	50,302.50	

It has no doubt been noted that on the different occasions when it was necessary to incur public defense indebtedness a strong predilection was shown by the state for tendering its creditors what amounted to an interest bearing warrant, the payment of which was deferred for a term of years. This was the invariable practice down to 1880.

If these so-called "bonds" had found the recipients of them in position to hold these long term credits until maturity this policy would no doubt have been salutary. But the creditor, who was more commonly a volunteer, had neglected his farm and crops for the service of the state and when on returning home he received in hand a deferred payment order, his need of cash was most urgent. The inevitable happened. He had to subject himself to the tender mercies of the bond broker. He had risked his life and property to protect the public, but it shirked its fair responsibility of protecting him from the bond speculator. The state surely would have been in a much better position to drive a good bargain with him than the individual claimant of a sum due for services or supplies furnished during an Indian war. This regular procedure in connection with the first four war-debt bond issues smacks strongly of the usual lame ultra-individualistic attitude and methods that have characterized the state's activities throughout.

That the bonds of these several issues that went directly to the individual creditors were regularly sold to bond brokers

is fully attested by the records of their redemption, and through several corroborative sources. The legislative investigating commission of 1872 found a scandalous state of affairs existing with reference to participation by several of the officials at the capital in this bond speculation. Inside information on the conditions of the surplus available for redemption, as well as cash on hand in the general fund, were being utilized.¹ The redemption items in the biennial reports of these funds exhibit clearly to whom the individual claim-holders had taken their bonds to realize cash. What rates of discount they had been compelled to accept do not appear.²

II. Internal Improvement Indebtedness.

Oregon, like other American commonwealths, would be likely to have only two general classes of occasions for contracting bonded indebtedness: War, invasion or the suppression of an insurrection would be one; the other would arise in connection with the undertaking of, or the participating in, a large enterprise of permanent public improvement. The occasions of the first class, and the use of its credit in meeting them, have been referred to.

From a glance at the article of the state constitution on "Corporations and Internal Improvements" one would suppose that the history of Oregon's use of public credit for the promotion of internal improvements would be very brief. The disposition of the framers of the state constitution with regard to state aid towards, or state participation in, the work of internal improvement was there unmistakably declared. All possibility of the use of public credit in Oregon for any internal improvement would seem to have been forestalled. For the constitution enjoins that the "legislative assembly shall provide for the raising revenue sufficient to defray the expenses of the state for each fiscal year, and also a sufficient sum to pay inter-

¹Report of Investigating Commission, 1872, pp. 48-73; *Treasurer's Report*, p. 103.

²319 bonds were redeemed for one bank in 1887.

est on the state debt, if there be any.”¹ Also, “Whenever the expenses of any fiscal year shall exceed the income, the legislative assembly shall provide for levying a tax for the ensuing fiscal year, sufficient, with other sources of income, to pay the deficiency, as well as the estimated expense of the ensuing year.”² And again, “The legislative assembly shall not loan the credit of the state, nor in any manner create any debts or liabilities, which shall singly or in the aggregate with previous debts or liabilities exceed the sum of fifty thousand dollars, except in case of war, or to repel invasion, or suppress insurrection; and every contract of indebtedness entered into or assumed by or on behalf of the state, when its liabilities and debts amount to said sum, shall be void and of no effect.” And finally, “The state shall never assume the debts of any county, town, or other corporation whatever, unless such debts shall have been created to repel invasion, suppress insurrection, or defend the state in war.”³

Notwithstanding these comprehensive constitutional restrictions it seemed difficult for the successive legislative assemblies to refrain from pledging the credit of the state in the aid of railroads and other enterprises of public improvement. In 1866 an act was passed pledging the state to pay the interest on the bonds of a railroad to connect the state with the trade centers of California.⁴ This law was repealed at the following session of the legislature on the ground that it was in conflict with the constitution of the state.⁵

This same legislative assembly, however, came to the aid of the “Willamette Falls Canal and Lock Company,” organized for the purpose of constructing a canal and locks around the falls of the Willamette river at Oregon City. The faith of the state was pledged to pay this corporation \$150,000 in annual installments of \$25,000 in gold coin, after the satisfactory completion of the work. The money for this aid was to be taken

¹Article IX, Section 2.

²Article IX, Section 6.

³Article XI, Sections 7 and 8.

⁴General Laws, 1866, pp. 1-5.

⁵General Laws, 1868, pp. 44-45.

out of the fund arising from the five per cent of the proceeds of the sales of public lands within the state; should this fund prove insufficient, the proceeds from the sales of the "internal improvements" grant should be used.¹

The proffered subsidy that was not to be available until after the "satisfactory completion" of the improvement did not secure the construction of the canal and locks. So at the next session of the legislature in 1870 it was enacted that state bonds to the amount of \$200,000 should be issued and delivered to this corporation on its giving surety to the amount of \$300,000 that it would have the canal and locks completed at a date that gave about two years for the construction of the works. As with the preceding pledge, the means for the payment of the interest and principal of the bonds were to be taken from the five per cent net proceeds fund and from the proceeds of the internal improvement grant. As these resources of the state were received from the national government for internal improvement purposes, and as this bond issue merely anticipated moneys that were certain to be forthcoming, the "canal and locks bonds" issue was not counted as indebtedness and hence not in violation of the restrictions of the constitution. These bonds were payable in ten years, bearing interest at seven per cent, payable semi-annually, principal and interest payable in gold. These bonds were disposed of by the canal and lock company for some \$160,000. The act granting the subsidy specified the rate of toll and provided as "the express condition" on which the subsidy was granted that the corporation should pay ten per cent of its net profits into the common school fund of the state. The sum actually paid back into the state treasury in fulfillment of this provision of the grant was \$435, a payment made in 1873. So much did the state realize out of its "express condition." When recently the claims of the state in this matter were pressed, the courts decided that they had lapsed. There was a stipulation, too, in the grant giving the state the right to appropriate the works

¹General Laws, 1868, pp. 46-49.

at the end of twenty years on payment to the company of their actual value.¹ The state did not avail itself of this privilege, but in 1907 an appropriation of \$300,000 was made—renewed in 1909—conditioned on an equal appropriation being made by Congress, for purchasing the canal and locks or constructing another passage on the opposite side of the river.

The constitutional inhibition of the use of state credit for projects of internal improvement has no doubt been salutary. When emergencies arose so that it was necessary to secure the release of trade along natural channels from the throttling grasp of a monopoly the state has found itself able to intervene. It has through taxation secured the funds sufficient for portage railways, first at the Cascades of the Columbia and again more recently at The Dalles of the same river. It is very doubtful if the conditions as yet developed are such as to make any participation by it in public improvements with credit financing advisable. Appreciation of the need of careful administration, of the wisdom of using the best expert service, is still an uncertain quantity. Then, too, the conditions are changing so rapidly that any work adequate for today would in a few years need replacement with a structure on a much larger scale, or one adjusted to a more economic process.

¹General Laws, 1870, pp. 14-17.

WILLAMETTE FALLS CANAL AND LOCK BONDS

Authorized October 21, 1870

Date of Report	Amount of Debt at Opening of Period	Debt Reduction During Period	Interest Payments During Period from State Land Fund	Interest Payments During Period from 5 per cent. Receipts U. S. Land Sales Fund	Cost of Administration of Fund	Total Payments
1872	200,000.00	.....	23,572.00	.....	Currency, 130.46 Coin 3533.91	Currency, 130.46 Coin 27,105.91
1874	200,000.00	.....	26,425.00	.....	Currency, 67.00 Coin 9,222.25	Currency, 67.00 Coin 35,647.25
1876	200,000.00	40,000.00	29,575.0	.....	Currency, 8.00 Discount on Currency 6041.60 Coin 6930.83	Currency, 8.00 Discount on Currency, 6041.60 Coin 76,505.83
1878	160,000.00	.....	21,455.00	945.00	Discount on Currency, 785.12 Coin 4246.21	Discount on Currency, 785.12 Coin 26,646.21
1880	160,000.00	8,500.00	16,660.00	5,460.0	1,752.97	32,372.97
1882	151,500.00	83,500.00	11,246.44	.....	2,947.14	97,693.58
1885	68,000.00	68,000.00	15,347.50	.....	1,070.01	84,417.51

1872. Treasurer's Report, pp. 126-129, 138. "Drainage Warrants" to the amount of \$14,732.17 were paid out of this fund during this period.

1874. Treasurer's Report, pp. 85-87, 108. Appropriation of \$50,000 towards payment of exhausted; \$1,575 of interest due July 14 unpaid.

1876. Treasurer's Report, pp. 101-103.

1878. Treasurer's Report, pp. 154-156.

1880. Treasurer's Report, p. 83.

1882. Treasurer's Report, p. 86. The interest item of \$5,302.50 is placed with payments of principal and administrative warrants. The five per cent U. S. Land Sales Fund does not appear as a separate account.

1885. Treasurer's Report, p. 100. Principal and interest payments and administrative cost are bunched.

**TABULATED DIGEST OF STATE BONDED INDEBTEDNESS
THAT HAS EXISTED IN OREGON**

Name of Debt	When Authorized	Amount Authorized	Amount Issued	Loan	Rate of Interest	Provision for Payment
Soldiers' Bounty..	Oct. 24, 1864, 1st Ore. Infantry.	\$200,000.00	\$137,700 00	20 years. Bonds matured and int. ceased July 1, '84	7%	.001 tax on all property.
Soldiers' Relief...	Oct. 24, 1864, 1st Ore. Cav-	100,000 00	93,637 00	10 years. Bonds matured and interest ceased July 1, '78	7%	.0005 tax on all property.
Willamette Falls Canal and Lock	Willamette Falls Canal and Lock Co., Oct. 21, 1870.	200,000 00	200,000 00	Bonds matured Jan. 1, 1881.	7%	5% U. S. Land sales and proceeds 500,-000- acre grant.
Modoc War	Oct. 22, 1874.	131,000 00	130,991 30	Bonds matured Jan. 1, 1880.	7%	Appropriations from genl. fund.
Indian War 1877-8 ...	Oct. 17, 1878.	To amount due claimants.	45,475 51	On or before Jan. 1, 1890.	7%	Appropriations from genl. fund.
Oregon War Re-funded...	Oct. 25, 1880.	Enough with surplus current funds to pay matured.	60,000 00	On or before Jan. 1, 1890.	Not greater than 7%	.0005 tax and surplus current funds.